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2008 SEP -5 P 4: 54

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September 5, 2008

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2008 SEP -5 PM 4: 21

Jeff S. Jordan
Supervisory Attorney
Complaints Examination &
Legal Administration
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

RE: MUR 6040

Dear Mr. Jordan:

This letter is in response to a complaint filed by the National Legal and Policy Center (the "Center") against the Rangel for Congress Committee, the National Leadership PAC and Mr. Basil Paterson in his capacity as Treasurer to both of these committees.

The Center alleges in its complaint that Rangel for Congress and the National Leadership PAC (hereinafter collectively referred to as the "Committees") received over a ten year period impermissible in-kind corporate contributions from the Olnick Organization, a New York corporation in the form of "office space" provided "at a rate significantly below the market value of the rent for the office." The Center also alleges that Rangel for Congress and the National Leadership PAC failed to disclose these impermissible in-kind contributions. As discussed below, Rangel for Congress, the National Leadership PAC and Basil Paterson have not violated the Federal Election Campaign Act. In particular, no impermissible contributions were made. The apartment was covered by New York State's rent stabilization law, and the landlord charged and the Committees paid the maximum rent as dictated by law for the apartment. Furthermore, we believe the Center's complaint should be dismissed because Representative Charles Rangel has already initiated a review of this matter *sua sponte* in his letter to Chairman Donald R. McGahn, II, dated July 21, 2008. (see Attachment)

Representative Charles Rangel has lived in the Lenox Terrace apartment for almost 20 years. It is a high-rise apartment complex with approximately 1700 units. The Lenox Terrace apartment complex is owned by the Fourth Lenox Terrace Development Associates (the "Landlord"). Lenox Terrace is covered by the New York State rent

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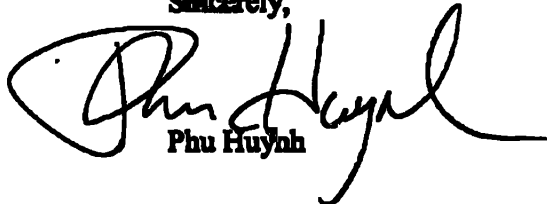
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stabilization law, which sets a cap on the maximum rent that a landlord can charge for covered apartments.

Representative Rangel first signed a lease for an apartment [redacted] in the Lenox Terrace building at 40 West 135th Street in New York City in November 1988. About eight years later, another apartment, Unit 10-U, became available in the same building. In October 1996, after the apartment had been vacant for three months, Representative Rangel entered into a lease to rent Unit 10-U. Like any other apartment in the complex, Unit 10-U is covered by the rent stabilization law. The lease obligated Representative Rangel personally to pay the rent, which amount was the maximum lawful rent for the apartment at that time under rent stabilization. Indeed, under the rent stabilization law, the Landlord could not have charged any lessee an amount more than that which Representative Rangel agreed to pay. Over the years, the rent has been paid by the Committees in accordance with the terms of the lease, with increases imposed according to the limits allowed under rent stabilization.

While the Landlord could charge a tenant less than the rent-stabilized ceiling, the Landlord could not charge any lessee of the apartment more than that amount. The Committees did not receive a discount, break or other reduction in rent from the Landlord. To the contrary, the Committees paid the rent stabilized amount for the apartment, the maximum amount any other person renting the apartment would be required to pay. Under these circumstances, there has been no violation of federal election law, and the Commission should find no reason to believe a violation has occurred.

Sincerely,


Phu Huynh

Attachment

The New York Times
nytimes.com

PRINTED: FRIDAY, JULY 11, 2008
3:25:12 PM EDT

July 11, 2008

For Rangel, Four Rent-Stabilized Apartments

By **DAVID KOCENIEWSKI**

While aggressive evictions are reducing the number of rent-stabilized apartments in New York, Representative **Charles B. Rangel** is enjoying four of them, including three adjacent units on the 16th floor overlooking Upper Manhattan in a building owned by one of New York's premier real estate developers.

Mr. Rangel, the powerful Democrat who is chairman of the House Ways and Means Committee, uses his fourth apartment, six floors below, as a campaign office, despite state and city regulations that require rent-stabilized apartments to be used as a primary residence.

Mr. Rangel, who has a net worth of \$566,000 to \$1.2 million, according to Congressional disclosure records, paid a total rent of \$3,894 monthly in 2007 for the four apartments at Lenox Terrace, a 1,700-unit luxury development of six towers, with doormen, that is described in real estate publications as Harlem's most prestigious address.

The current market-rate rent for similar apartments in Mr. Rangel's building would total \$7,465 to \$8,125 a month, according to the Web site of the owner, the Olnick Organization.

The Olnick Organization and other real estate firms have been accused of overzealous tactics as they move to evict tenants from their rent-stabilized apartments and convert the units into market-rate housing.

Tensions are especially inflamed in Harlem, where the rising cost of living and the arrival of more moneyed residents have triggered anxiety over the future of the historically black neighborhood. And Vantage Properties, a company established by Olnick's former chief operating officer, has attracted billions in private equity financing by promising investors that it can aggressively convert tens of thousands of rent-stabilized apartments, many in Harlem.

Yet Mr. Rangel, a critic of other landlords' callousness, has been uncharacteristically reticent about Olnick's actions.

State officials and city housing experts said in interviews that while the law does not bar

tenants from having more than one rent-stabilized apartment, they knew of no one else with four of them. Others suggested that the arrangement undermines the purpose of rent regulation.

"There are families who manage to get two, when one tenant marries another, things like that," said Dav Traiman, a lawyer who publishes *The Housing Court Reporter*, a legal trade publication. "But I've never heard of any tenant managing to get four."

Mr. Rangel's use of the fourth apartment as an office, in addition to his 2,500-square-foot residence, was especially troubling to some advocates, given the city's chronic shortage of housing for low- and moderate-income residents.

"Whether it's an elected official or not, no one should have four apartments, especially when one is being used as an office," said Michael McKee, treasurer of the Tenants Political Action Committee, who was not aware of Mr. Rangel's situation when he was interviewed.

Mr. Rangel, who was first elected to Congress in 1970 and is one of the city's most recognizable elected officials, has written and spoken extensively about his devotion to his home in Harlem, but does not appear to have ever publicly acknowledged that he has been permitted to lease four rent-stabilized apartments there. According to a public records database and interviews with neighbors, he has lived in the building since the early 1970s, but it is not clear when he amassed the four units.

Mr. Rangel, 78, declined to answer questions during a telephone interview, saying that his housing was a private matter that did not affect his representation of his constituents.

"Why should I help you embarrass me?" he said, before abruptly hanging up.

Olnick officials declined to discuss when or why they decided to permit Mr. Rangel to lease multiple rent-stabilized units. Asked why he had been allowed to use one as an office, Jeanette Bocchino, a spokeswoman for the company, replied: "This is a private matter for the Olnick Organization and Mr. Rangel to evaluate."

Mr. Rangel is not the only prominent resident with a rent-stabilized apartment at Leroy Terrace. Gov. David A. Paterson told *The New York Sun* in May that he pays \$1,250 for a rent-stabilized two-bedroom apartment in the complex that rents for \$2,600 or more at market rates. Basil A. Paterson, the governor's father, pays \$868 per month for his apartment there, in the same building as Mr. Rangel's apartments, according to state records.

Percy E. Sutton, the former Manhattan borough president and a longtime ally and friend of Mr. Rangel's, also lives at Lenox Terrace, though records about his rent were not available.

Under state and city rent regulations, tenants can continue renewing the lease in their rent-stabilized apartments for as long as they use it as a primary residence, and landlords can increase rent only by an annual percentage set by a city board.

A spokesman for the governor said that Governor Paterson, who owns a home in an Albany suburb and recently moved into the executive mansion, considered Lenox Terrace his primary residence. A secretary to the elder Mr. Paterson, who owns a home on Long Island, said he could not be immediately reached.

Luminaries are not living near at Lenox Terrace, a large development on 135th Street between Fifth and Lenox Avenues. The Olnick Organization built it in 1958 as the first luxury community in Harlem. The family-run company has a broad portfolio of retail, commercial and residential buildings, and holds a contract to lease office space to federal agencies in Morristown, N.J.

According to Federal Election Commission records, Mr. Rangel received \$2,000 in campaign contributions from Sylvia Olnick, an owner of the company, in 2004. His separate political action committee received \$2,500 donations from her in 2004 and 2006.

In addition, city records show that in 2005, a lobbyist for the Olnick Organization met with Mr. Rangel and Mr. Paterson, who was then the state Senate minority leader, as the company set out to win government approvals of a plan to expand Lenox Terrace and build another apartment complex in the Bronx.

Ms. Bocchiaro said that Mr. Rangel was not asked to do, nor did he do, anything for the company. A spokesman for the governor said he also did not act on Olnick's behalf.

Neither project has advanced.

Mr. Rangel's residence, which has custom moldings and dramatic archways, is decorated with Benin Bronze statues and antique carved walnut Italian chairs, and was featured in the 2003 book "Style and Grace: African Americans at Home," by Michael Henry Adams (Bulfinch Press). The article called the home a penthouse, although it is on the second floor from the top.

The book does not mention that the units are rent-stabilized, but says that the penthouse had been assembled by combining separate apartments. Mr. Rangel's wife, Alma, is quoted

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describing the congressman as "the shopper in this family" who has a penchant for hunting down antiques like cut-glass champagne flutes and walnut chests to furnish their elegant abode.

The State Division of Housing and Community Renewal does not publicly release information about rents paid by tenants in rent-regulated apartments. But The New York Times obtained a copy of the agency's 2007 rent roll report for Mr. Rangel's building, which showed that the congressman holds the leases on Apartments 16M, 16N, 16P and 10U.

Neither Mr. Rangel nor the company would describe the dimensions or layouts of the apartments, but neighbors and a doorman said the apartments included a studio, a one-bedroom and a two-bedroom on the 16th floor. A Times reporter visited the 10th-floor office, a one-bedroom.

The records showed that the congressman paid \$1,329 monthly for his two-bedroom apartment, which is about half the \$2,600 market-rate rent the development now charges new tenants. For the adjacent one-bedroom, he also paid \$1,329. The one-bedrooms are now rented for \$1,865 and up.

He paid \$606 a month for the adjacent studio apartment, while market rents for studios there are now \$1,300. He pays \$630 for the 10th-floor office, and federal election records show that he splits the cost between his Congressional re-election fund, which has raised more than \$3.6 million this election cycle, and his National Leadership PAC, a committee he controls, which raised more than \$1.6 million.

Some Congressional ethics experts, while saying it appears legitimate for Mr. Rangel to have one rent-stabilized apartment, question whether his acceptance of the additional units may violate the House of Representatives' ban on members' accepting gifts of more than \$100. They suggest that the difference between what Mr. Rangel pays for the second, third and fourth apartments and what a new market-rate tenant would pay — some \$30,000 annually — could be considered a gift because it is given at the discretion of the landlord and it is not generally available to the public.

Landlords can — and routinely do — force tenants who have more than one rent-stabilized apartment to give up any additional units.

Meredith McGehee, policy director for the nonpartisan Campaign Legal Center in Washington, said she was not familiar with the particulars of Mr. Rangel's accommodations, but said that under House ethics rules, a gift is defined as any "gratuity, favor, discount, entertainment,

hospitality, loan, forbearance, or other item having monetary value."

Mr. Rangel, who earns \$169,300 base pay as a congressman, owns a villa in the Dominican Republic that is worth \$250,000 to \$500,000, his disclosure form states. He has also bought and sold properties in recent years; he bought a condominium in 2004 in Sunny Isles, Fla., for \$50,000 to \$100,000 and sold it last year for \$100,000 to \$250,000. In 2004 he also sold a building on 132nd Street, around the corner from Lenox Terrace, for \$250,000 to \$500,000. He owns mutual funds with a combined value between \$266,000 and \$765,000.

Mr. Rangel is among New York's most influential politicians. He is a member of the legendary "gang of four" black Democratic power brokers — along with Mr. Sutton, the former Manhattan borough president; former Mayor David N. Dinkins; and the senior Mr. Paterson, the former secretary of state and the governor's father — who have dominated Harlem affairs for a generation.

Mr. Rangel is frequently re-elected with more than 80 percent of the vote. In the 1990s he wrote the Federal Empowerment Zone demonstration project, a \$5-billion program to revitalize urban neighborhoods throughout the country. More than \$200 million of that money has been steered to the Upper Manhattan Empowerment Zone, where Representative Rangel has served on the board, and which has been credited with helping spur Harlem's resurgence.

But critics, including some Harlem residents, complain that Mr. Rangel has too often used his public office to help himself and his friends. In 1999, Mr. Rangel was forced out as chairman of the Apollo Theater foundation after the state attorney general's office charged that the board had failed to collect more than \$4 million owed to the theater by a company controlled by his ally Mr. Sutton. Mr. Rangel and Mr. Sutton denied any wrongdoing.

Last year, government watchdog groups criticized Mr. Rangel for pushing through a \$1.9 million earmark to build the Charles B. Rangel Center for Public Service at City College of New York, which is to include an office for Mr. Rangel and a presidential-style library for his official papers. The congressman and the college said that by lending his name to the project, he had helped the college raise millions from private donors.

Danny Hakim and Toby Lyles contributed reporting.

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